

March 4, 2005

Mr. Dennis Keschl  
Administrative Director  
Maine Public Utility Commission  
18 State House Station  
Augusta, ME 04333-0018

Re: Fryeburg Water Company, Docket No. 2004-770

Dear Mr. Keschl:

I enclose for filing on behalf of the N.H. Office of the Consumer Advocate (OCA) an original and ten copies of its Response to Stipulation and Request for Disapproval of Affiliated-Interest Transaction. I understand that this item is on the Commission's agenda for March 7, 2005. On account of this timing, at the suggestion of Bill Black of the Maine Public Advocate, I fax this today. An original shall follow by mail in due course.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your assistance.

Very truly yours,

Rorie E.P. Hollenberg  
Staff Attorney

cc: Peter G. Hastings, Esq.  
Hastings Law Office, P.A.  
P.O. Box 290  
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Stephen G. Ward  
Office of the Public Advocate  
State House Station #112  
Augusta, ME 04333-0112

Hugh W. Hastings, III  
Fryeburg Water Company  
24 Portland St., Ste 1  
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Rev. Ken Turley  
22 Elm St.  
Fryeburg, ME 04037

**STATE OF MAINE  
PUBLIC UTILITIES COMMISSION**

FRYEBURG WATER COMPANY	)	<b>RESPONSE TO</b>
	)	<b>PARTIAL STIPULATION</b>
RE: Request for Approval of Affiliated	)	<b>AND</b>
Interest Transaction for use of an	)	<b>REQUEST FOR DISAPPROVAL</b>
Additional Well on the Aquifer of	)	<b>OF AFFILIATED INTEREST</b>
the Company	)	<b>TRANSACTION</b>
	)	
Docket No. 2004-770	)	March 3, 2005

The Office of Consumer Advocate of the State of New Hampshire (OCA), as intervenor in the above-captioned docket, hereby responds to the partial stipulation filed by the Maine Public Advocate on March 3, 2005, and asks the Commission to disapprove of the affiliated-interest transaction between Fryeburg Water Company (the “Company”) and Pure Mountain Springs, LLC (“PMS”).

1. The affiliated-interest transaction under review involves the Company’s use of a non-spring-fed well owned by PMS (the “Well 3 Transaction”).

2. The Commission’s scrutiny of the Well 3 Transaction arose out of and relates to one or more of the issues under consideration in Docket No. 2004-263.<sup>1</sup> Upon receipt of the Company’s Petition, on or about November 3, 2004, the Commission opened Docket No. 2004-770.

3. In pertinent part, Docket No. 2004-263 concerns the Company’s earnings or over-earnings. These earnings include revenue from another affiliated-interest transaction. Specifically, the Company allows Pure Mountain Springs, LLC to use one of its spring-fed wells (the “Well 1 Transaction”). In turn, PMS resells this water to Poland Springs.

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<sup>1</sup> See September 16, 2004 Procedural Order, Docket No. 2004-263 (“As agreed to at the [prehearing] Conference, the Company should file ... by September 23, 2004: 1. a request for Commission approval of the arrangement between PMS and the Company for the Company to use PMS’s well on the Porter Road (Transcript, Page 53)”).

4. The Company's use of Well 3 (at issue in Docket No. 2004-770) is necessitated by the Well 1 Transaction (at issue in Docket No. 2004-263).

5. Presently, the outcome of Docket No. 2004-263 awaits the completion of a Comprehensive Plan. Based upon information and belief, the Comprehensive Plan and the ultimate outcome of 2004-263 will touch and concern the affiliated-interest transaction at issue in this docket (2004-770).<sup>2</sup> Based upon information and belief, the Comprehensive Plan will be completed in April 2005.

6. The Well 3 Transaction should not be examined and ruled on by the Commission in isolation of the issues pending in Docket No. 2004-263.

7. The Well 3 Transaction should not be examined and ruled on by the Commission before the completion of the Comprehensive Plan in Docket No. 2004-263.

8. The Company has used Well 3 without an agreement with Pure Mountain Springs or approval of this Commission since at least March 26, 2004.<sup>3</sup>

WHEREFORE, the OCA respectfully requests the following relief:

A. The Commission disapproves the Company's Petition for Approval of the Well 3 Transaction, without prejudice to the Company's renewal following the completion of the Comprehensive Plan in Docket No. 2004-263.

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<sup>2</sup> See e.g., August 4, 2004 Procedural Order ("The Commission has ordered an investigation into Fryeburg Water Company's plans for system improvements; whether the Company is over-earning; and whether affiliate transactions have occurred between the Company and Pure Mountain Springs, LLC...").

<sup>3</sup> See Responses of the Fryeburg Water Company to Items 1, 2, and 4 under the Procedural Order (Docket No. 2004-263), September 16, 2004, p. 1. See also Petition (Docket No. 2004-770), November 1, 2004, paragraph 1. See also Docket No. 2002-207 (concerning the "swap" of Well 1 and Well 3); and Letter to Dennis Keschl from William C. Black (Docket No. 2004-263), July 19, 2004, p. 3 ("swap" of wells 1 and 3 proposed by the Company and Pure Mountain Springs in April 2002 and objected to by the PUC Staff and Public Advocate "has, in effect, taken place"; swap appropriate for consideration in MPUC Docket No. 2004-263 "because it appears that the 'swap' may now be in effect -- without any consideration by the Commission -- and because there were earlier suggestions that the 'swap' would not provide sufficient benefits to the Water Company's ratepayers").

B. In the alternative, if the Commission approves the Company's Petition, that the Commission do so conditioned upon the immediate implementation of the rate structure changes contemplated by the partial stipulation<sup>4</sup>.

Respectfully submitted,

March 4, 2005

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Certificate of Service

I hereby certify that a copy of the foregoing Response to Stipulation and Request for Disapproval of Affiliated Interest Transaction was mailed this day to Peter G. Hastings, Esq., Rev. Kenneth Turley, and Stephen G. Ward, Esq.

March 4, 2005

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Rorie E.P. Hollenberg

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<sup>4</sup> See Stipulation Agreement, paragraphs II.D.2 and II.D.3.